1981 ANNUAL REPORT

ANNUAL REPORT

of

SASKATCHEWAN MINERALS

OF THE

PROVINCE OF SASKATCHEWAN

for the

Year ending December 31, 1981

March 12, 1982

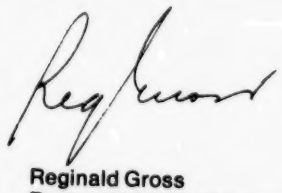
To His Honour
The Honourable C. Irwin McIntosh
Lieutenant Governor of the Province of
Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of Saskatchewan Minerals for the year ending December 31, 1981 including the financial statements therefor, duly certified by the Corporation's auditors and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,



Reginald Gross
Responsible Minister
Chairman of the Board
Saskatchewan Minerals

BOARD OF DIRECTORS

Hon. Reginald Gross
Chairman of the Board
REGINA, Saskatchewan

Hon. Edgar Kaeding
Vice-Chairman of the Board
REGINA, Saskatchewan

P. P. Hill, Cableman
Saskatchewan Telecommunications
MOOSE JAW, Saskatchewan

Isaac Dyck, Farmer
NEVILLE, Saskatchewan

L. Mansell, Farmer
NOKOMIS, Saskatchewan

Ed Waddington
Corporate Officer
Crown Investments Corporation
REGINA, Saskatchewan

H. H. Beach, Farmer
ERNFOLD, Saskatchewan

G. Arnason, Homemaker
MOZART, Saskatchewan

C. S. Edy, Businessman, Retired
REGINA, Saskatchewan

Leo Piche, Businessman
GRAVELBOURG, Saskatchewan

T. S. Tamaki, Associate Deputy Minister
Department of Mineral Resources
Province of Saskatchewan
REGINA, Saskatchewan

R. E. Ulrich, Corporate Secretary
Crown Investments Corporation
REGINA, Saskatchewan

General Manager: J. C. Mills

Director of Finance & Administration: L. A. Mason

Director of Research & Engineering: G. F. Miller

Director of Marketing: T. D. Lavineway

Director of Operations: G. M. Krantz

SASKATCHEWAN MINERALS ANNUAL REPORT 1981

The operations of Saskatchewan Minerals during the year ended December 31, 1981 resulted in net earnings of $5,153,575. Total net earnings since the inception of the Corporation now stand at $34,262,394.

SALES

As expected sales in the Sodium Sulphate Division continued at the high level experienced in 1980 for most of the year under review. As a result a new record of tonnage produced and sold as well as sales revenues was established. Demand weakened considerably however in the last quarter of the year.

Total sales tonnage increased during the year by 17.1% while sales revenues increased by 36.5%. Sales tonnage to Canadian accounts decreased by 11.8% but export tonnage was up by 36.0%. Shipments to offshore accounts amounted to 4.9% of the total export sales and were up over last year by 460.2%.

Part of the decline in Canadian sales was due to a work stoppage in the Kraft Pulp Industry on the west coast during July and August. During the year the first trainload of saltcake ever shipped consisting of 88 hopper cars was moved from the Chaplin Plant to Vancouver for shipment overseas.

The demand for Detergent grade material was strong during most of the year but weakened in the last quarter perhaps reflecting the economic recession in the United States. The increase in sales to the Kraft Pulp Industry was not a result of a real increase in demand, but as was the case last year resulted from lower production of by-product material and other alternative products such as Caustic Soda.

While it is too early to know definitely there may be a new market developing in the use of saltcake in coal fired Power plants to improve flyash recovery in electrostatic precipitators. Some sales were made to United States accounts during 1981 for that use which amounted to approximately 1.5% of total saltcake sales.

The only decline in sales was to the Mineral Feed Industry of 42.8% but this Industry accounts for less than 1% of our total sales. Sales to the Kraft Pulp Industry improved by 19.1% while sales to the Detergent Industry increased by 14.0%. Sales to the Glass Industry were up 16.8%.

As in many other industries transportation continues to play an important role in the marketing of our product. We had very few problems with the supply of hopper car equipment during the year possibly due to the lower levels of shipments from the Potash Industry. We also believe the Railways are continuing their efforts to improve the turn around times of cars in our assignment. We have however experienced problems with the quality of the cars provided especially at our Ingebrigt Plant for shipment of detergent grade material and this is a continuing concern to us. Freight rate increases in 1981 amounted to 29.3% in total to customers in Eastern Canada and 33.3% to those in Western Canada. Freight rates to the United States increased a total of 13.4% throughout the year.

It is always difficult to forecast very far into the future in the Sodium Sulphate Industry due to so many factors that can affect the market. We are estimating sales tonnage will decline by 5% to 10% in 1982 and as it is very doubtful that selling price increases can keep pace with cost increases a drop in earnings is predicted.

PRODUCTION

Due to the high demand for our product all three plants operated at increased levels during the year. Production at Ingebrigt was up 6.7% while production at Chaplin increased by 12.9%. The Bishopric plant operating during the full year as compared to 9 months in 1980 was up in production by 43.5%.

During the year the Corporation purchased the Sybouts Sodium Sulphate Co. Ltd. and as that plant has not operated since July 1980 a number of repairs and renovations had to be made. It is intended that production at that location will commence in May 1982.

Brine pumping and harvesting proceeded on schedule at all four locations and the supply of raw material should be adequate for 1982. Due to the increasing cost of natural gas it was considered necessary to change our evaporating equipment at Chaplin from the Holland Evaporators to Multiple Effect Evaporators. This project will cost approximately 4.6 Million Dollars in capital expenditures but will cut our gas consumption by about 50%. We hope to start up on the new system early in 1983.

During the year an addition to our bagging facility at Ingebrigt was started. When completed in April of 1982 this will allow us to stretch wrap bagged pallet shipments and thus reduce or eliminate damage during shipment and also will allow us addition storage for bagged material.

PEAT MOSS DIVISION

While some sales are made in the Peat Moss Industry throughout the year the bulk of the shipments go forward in the first 4 or 5 months of the

year. Sales contracts are made in the fall of the preceding year. As we were limited in the amount we had to offer for sale due to a work stoppage during the Moss gathering season in 1980 sales declined 2.3% when compared with 1980. Factors affecting sales in this industry were the decline in new housing construction, the general economic recession and increasing transportation cost.

Production in 1981 improved 157% over 1980 and we had considerably more to sell for 1982 delivery. We are estimating sales to nearly double in 1982.

It is important that we continue to increase production in this Division and additional bog areas will be cleared each winter so that production can be improved.

ENERGY STORAGE DIVISION

A small plant to conduct research and test the markets for energy storage systems was opened in April at Mossbank, Saskatchewan.

EARNINGS

The overall net earnings of the Corporation amounted to $5,153,575 replacing the 1980 earnings as the second highest in our history. Costs continue to rise but were partially offset by the increase in tonnage. The selling prices of both pulp and detergent grades were increased during the year.

The total assets of the Corporation stand at $17,737,150. A dividend of $5,000,000 to the Crown Investments Corporation was declared.

RESEARCH

Research during the year concentrated mainly on the energy storage systems. Proposals to conduct a marketing study on a liquid system were initiated during the latter part of the year, with the study to commence in 1982.

Research participated in a peat project which commenced in late fall, and which was directed towards the collection and usage of peat as an alternate fuel in the Buffalo Narrows area. The project has been organized by Saskatchewan Mineral Resources, and is currently expected to continue for approximately three years.

A preliminary ground water study of the Chaplin area was completed during the year, with follow up studies contemplated for 1982.

GENERAL STATISTICS

Saskatchewan Minerals has made the following direct contributions to the Saskatchewan economy:

	During 1981	Since Inception
Salaries & Wages	$5,101,256	$31,828,972
Grants in Lieu of Taxes	147,100	1,158,292
Royalties	1,042,234	7,330,101
Dividends paid to Crown Investments Corporation	5,000,000	32,755,205

PERSONNEL

As a result of higher production levels, the opening of the Energy Storage Division, and the purchase of the Sybouts plant total employment at all locations increased from 184 in 1980 to 213 at year end 1981.

The Collective Bargaining Agreement with Local 678 of the Energy and Chemical Workers Union provided for a wage increase of 8% on May 1, 1981 following the fold in of 43¢ per hour generated by the Cost of Living Allowance up to the end of April.

The Collective Bargaining Agreement with Local 1-184 of the International Wood Workers of America provided for a wage increase of 85¢ per hour effective June 1, 1981, with no Cost of Living Allowance provision.

Improved safety records have been attained at all plants during the year with the Bishopric Plant employees achieving their 365 day lost time accident free award. The Mossbank and Sybouts plants both had no lost time accidents during the year under review. All employees must be commended on their achievements and continued effort to maintain a safe working environment and to work in a safe manner.

On behalf of the People of Saskatchewan and the Board of Directors, I want to express my sincere appreciation to each and every employee for their dedicated service during 1981.

The Honourable Reginald Gross
Chairman of the Board
Saskatchewan Minerals

SASKATCHEWAN MINERALS

Consolidated Financial Statements for the Year Ended December 31, 1981

BURROUGHS, WEBER, GROSS, DOWNS & HEPPNER
Chartered Accountants
SWIFT CURRENT, SASKATCHEWAN

Burroughs, Weber, Gross, Downs & Heppner

Chartered Accountants

R.J. Weber, B. Comm., C.A.
E.G. Gross, C.A.
A.E. Downs, B. Comm., C.A.
E.K. Heppner, C.A.
R.J. Davies, C.A.
A.E. Lightfoot, B. Comm., C.A.

140 - 2nd Avenue N.W.
P.O. Box 1267
Swift Current, Sask.
S9H 3X4

Telephone 773-8375
Area Code 306

Auditor's Report

To the Members of the Legislative Assembly
Of the Province of Saskatchewan

We have examined the Consolidated Statement of Financial Position of Saskatchewan Minerals as at December 31, 1981, the Consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Burroughs, Weber, Gross, Downs & Heppner

Swift Current, Saskatchewan
February 12, 1982

BURROUGHS, WEBER, GROSS, DOWNS & HEPPNER
Chartered Accountants

SASKATCHEWAN MINERALS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	1981	1980
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 88,954	$ 750,000
Accounts receivable	3,567,422	2,096,255
Inventories [Note 3]	3,096,604	2,434,063
Prepaid expenses	15,697	11,160
	6,768,677	5,291,478
PROPERTY, PLANT AND EQUIPMENT [Note 4]	10,403,472	6,647,122
DEFERRED CHARGES, NET OF AMORTIZATION	565,001	45,524
	$17,737,150	$11,984,124
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	$ -	$ 159,078
Accounts payable and accrued liabilities	2,039,961	1,581,432
Dividends payable - Crown Investments Corporation	5,000,000	1,500,000
Current portion of long-term debt [Note 5]	640,000	500,000
	7,679,961	3,740,510
LONG-TERM DEBT [Note 5]	3,660,000	2,000,000
PROVINCE OF SASKATCHEWAN'S EQUITY		
Advances [Note 6]	3,400,000	3,400,000
Retained earnings	2,997,189	2,843,614
	6,397,189	6,243,614
	$17,737,150	$11,984,124

See accompanying notes

SASKATCHEWAN MINERALS

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1981	1980
Revenue		
Sales of product	$22,770,619	$16,647,677
Other	222,362	20,773
	22,992,981	16,668,450
Expenses		
Operating costs, other than those shown below	14,145,332	10,601,410
Selling and administrative	2,580,854	1,846,307
Depreciation and amortization	737,829	582,387
Interest [Note 7]	375,391	284,732
	17,839,406	13,314,836
Net earnings	5,153,575	3,353,614
Retained earnings, beginning of year	2,843,614	1,490,000
	7,997,189	4,843,614
Dividends to Crown Investments Corporation	5,000,000	2,000,000
Retained earnings, end of year	$ 2,997,189	$ 2,843,614

See accompanying notes

SASKATCHEWAN MINERALS

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31

	1981	1980
Source of funds		
Operations		
Net earnings	$ 5,153,575	$ 3,353,614
Depreciation and amortization	853,124	658,011
	6,006,699	4,011,625
Long-term debt	1,660,000	2,000,000
	7,666,699	6,011,625
Application of funds		
Deferred charges	519,477	45,524
Purchase of property, plant and equipment (net of disposals)	4,609,474	3,037,618
Dividends to Crown Investments Corporation	5,000,000	2,000,000
	10,128,951	5,083,142
Increase (Decrease) in working capital	$(2,462,252)	$ 928,483

See accompanying notes

SASKATCHEWAN MINERALS

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1981

1. Summary of Accounting Policies

The following summary of significant accounting policies contains a description of the accounting methods and practices that have an important impact on the corporation's financial statements.

- Principles of Consolidation
The consolidated financial statements include the accounts of the corporation and its wholly owned subsidiary Sybouts Sodium Sulphate Co. Ltd.

- Inventories
Finished product and raw material inventory are valued at the lower of average cost for the year and net realizable value. Inventories of materials and supplies are valued at the lower of cost and replacement cost.

- Deferred Charges
This item represents costs incurred by Sybouts Sodium Sulphate Co. Ltd. which will be charged to operations during 1982 and 1983 after start of production; development of lakes at Chaplin which will be amortized over the next four years; and penalties on commitments which will be applied towards purchase of inventory or equipment in 1982.

- Property, Plant and Equipment
The costs of maintenance, repairs and minor renewal or replacements are charged to operations as they arise. The costs of major replacements, extensions and improvements are capitalized in the property, plant and equipment accounts. On retirement or disposal of property, plant and equipment, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of operations.

- Depreciation and Amortization
Property, plant and equipment are depreciated over their estimated useful lives on a straight line basis over the following periods:

Leases	10 to 12 years
Buildings	10 to 30 years
Machinery and equipment	10 to 15 years
Office and safety equipment	5 years
Ditch lines, reservoirs, pipelines, spur tracks and platforms	10 to 20 years
Trucks	5 years

Bog development and leases, and Sybouts deposits are amortized on the unit of production method over the estimated useful productive life of the asset.

- Foreign exchange translation
Foreign operating transactions are translated to Canadian dollars at the exchange rate in effect for that day.

Foreign current assets are translated on the basis of year end exchange rates of 18.44% (1980 - 19.24%).

SASKATCHEWAN MINERALS

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1981

2. Status of Saskatchewan Minerals

Saskatchewan Minerals was established by Order-in-Council 724 in 1945 and subsequently amended by Order 319 in 1946 and 535 in 1947. The corporation continues under the provisions of The Crown Corporations Act, 1978. The accounts of the corporation are consolidated in the annual financial statements of Crown Investments Corporation of Saskatchewan.

3. Inventories

The inventories of the corporation are comprised of:

	1981	1980
Finished product	$ 1,534,038	$ 1,020,141
Raw material	1,032,772	887,588
Material and supplies	529,794	526,334
	$ 3,096,604	$ 2,434,063

4. Property, Plant and Equipment

	- 1 9 8 1 -			1980
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 29,475	$ -	$ 29,475	$ 28,475
Buildings	4,090,369	1,739,082	2,351,287	1,590,745
Machinery and equipment	12,612,205	6,118,309	6,493,896	4,260,360
Leases and licenses	392,144	138,392	253,752	276,643
Ditch lines, reservoirs, pipelines, spur tracks, platforms, bog development and other	1,778,002	502,940	1,275,062	490,899
	$18,902,195	$ 8,498,723	$10,403,472	$ 6,647,122

SASKATCHEWAN MINERALS

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1981

5. Long-Term Debt

	1981	1980
Crown Investments Corporation #1	$ 2,000,000	$ 2,500,000
#2	2,300,000	-
	4,300,000	2,500,000
Less amount due within one year	640,000	500,000
	$ 3,660,000	$ 2,000,000

The principal #1 is due in annual installments of $500,000 on May 1, 1982 to 1985, inclusive, plus interest at 11 1/2% per annum.

The principal #2 is due in annual installments of $140,000 on September 30, 1982 and $540,000 on September 30, 1983 to 1986, inclusive, plus interest at a prime related floating rate.

6. Advances from Crown Investments Corporation

These advances represent the net capital investment by Crown Investments Corporation of Saskatchewan to the Corporation since its inception. These advances are repayable at the discretion of Crown Investments Corporation of Saskatchewan and do not bear interest.

7. Interest Expense

	1981	1980
Long-term	$ 368,669	$ 214,195
Bank charges and interest	6,722	70,537
	$ 375,391	$ 284,732

8. Sybouts Sodium Sulphate Co. Ltd.

Effective September 25, 1981, the corporation purchased 100% of the shares of Sybouts Sodium Sulphate Co. Ltd. for $2,700,000. The purchase price was financed by a long-term loan from Crown Investments Corporation. Subsequent to the year end, Sybouts Sodium Sulphate Co. Ltd. is in the process of being amalgamated with Saskatchewan Minerals.

SASKATCHEWAN MINERALS

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1981

9. Commitments

As at December 31, 1981 the corporation was committed to the purchase of raw materials inventory of $1,366,500 by July 1, 1982. Any deficiency in orders is subject to a penalty of 16%.

To December 31, 1981, Saskatchewan Minerals is committed to the construction of new capital items to the extent of $2,230,000.

10. Directors and Senior Officers

The corporation's ten directors received from Saskatchewan Minerals, in aggregate, $11,550 during 1981 ($4,800 during 1980).

The five senior officers received, in aggregate, $199,670 in salaries for 1981 (nine officers 1980 - $303,087).

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Comparative Information

Certain 1980 information has been reclassified in order to conform with 1981 financial statement format.